
REDEVELOPMENT AGENCY BUDGET

Purpose: The City Council annually adopts by resolution the fiscal year budget for the Redevelopment Agency. The Report to the Mayor and Council details the recommended budget by program and account classification.

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June 20, 2006

SUBJECT: Adoption of the FY 2006/2007 Budget for the Redevelopment Agency of the City of Sunnyvale**REPORT IN BRIEF**

The Sunnyvale Redevelopment Agency (Agency) is required to adopt an annual budget. It is recommended that the Agency adopt the FY 2006/2007 budget as outlined in this report.

BACKGROUND

The Redevelopment Agency was established under the provisions of the community redevelopment laws of the State of California by a resolution of the City Council adopted on November 19, 1957. In this resolution, the City Council declared itself to be the governing members of the Agency.

The Redevelopment Agency Fund accounts for activities of the Redevelopment Project Area, which is primarily the downtown area. This Fund accounts for debt service, capital projects, low-and-moderate-income housing, and general activities of the Agency. Capital projects can be long-term in nature and are often carried over to the next fiscal year. Certain transfers are made to the General Fund for repayment of the Agency's debt. Calculations for this repayment are dependent on the Agency's available resources at the end of the fiscal year, and therefore may differ from budgeted amounts.

EXISTING POLICY

Section 33606 of the California State Health and Safety Code requires that a Redevelopment Agency adopt an annual budget. Section 1304 of the City Charter requires the City Council to adopt the budget for the upcoming fiscal year on or before June 30.

[Signature]
City Clerk of the City of Sunnyvale

DISCUSSION

Recommended FY 2006/2007 Budget

Total recommended revenue for FY 2006/2007 is approximately \$5.1 million. A breakdown of the sources of revenue to the Redevelopment Agency is highlighted below:

Revenues	FY 2006/07 Budget
Property Taxes	\$3,797,082
Interest Income	100,000
Rents and Concessions	1,212,920
Total	\$ 5,110,002

The primary source of revenue to the Redevelopment Agency is Property Tax increment, which is expected to total about \$3.8 million in FY 2006/2007. The Agency also receives annual interest income of approximately \$100,000 from the Debt Service Reserves held with the Trustees.

The Rents and Concessions revenue is received from the City of Sunnyvale per the Sunnyvale Town Center parking structure lease agreement which was signed on May 1, 1977. The lease, as amended, requires the City to pay to the Agency base rental payments on October 1 and April 1 of each year. The rental payments are used to fund the annual debt service for the Parking Facility Certificates of Participation. The lease agreement was amended by the City and the Agency to substitute the underlying asset, the Mathilda Parking structure, with the Macy's surface parking lot and Penney's land with the four story parking structure. This was required in order to allow the Mathilda Parking structure to be demolished in FY 2005/2006 as part of the Town Center redevelopment project. In addition to base rental payments, the City is also obligated to pay all taxes, assessments, administrative costs, certain insurance premiums, certain maintenance costs, and all other such costs in order to comply with the terms of the related bond resolutions.

Total recommended expenditures for FY 2006/2007 are approximately \$5.1 million. Detailed below are the proposed expenditures:

Expenditures	FY 2006/07 Budget
Operating	\$186,752
Debt Service	1,822,166
Repayment to City	1,709,435
Capital Projects	1,205,000
Special Projects	55,000
Project Administration	87,748
Transfer Out to General Fund	43,901
Total	\$ 5,110,002

Operating Expenditures and Debt Service

Operating expenses for the Redevelopment Agency include only those activities directly related to management of the Agency. Also included are debt service payments totaling \$1,822,166 for the Central Core Redevelopment Project Tax Allocation Refunding Bonds-Series 2003 and the 1998 Parking Facility Series A Certificates of Participation.

The Repayment to City represents payment to the City of Sunnyvale in the amount of \$1,709,435 in FY 2006/2007 for outstanding loans due to the City General Fund. At the close of FY 2004/2005 the Redevelopment Agency had outstanding loans due to the City's General Fund of approximately \$51.2 million. These loans are largely the result of the Redevelopment Agency's inability to raise sufficient tax increment revenue to repay the City for annual lease payments made by the City for the downtown parking structure. The projected total loan outstanding due to the City's General Fund at the end of the plan in November 2028 is approximately \$167 million assuming the Town Center Mall is completed as scheduled in FY 2008/2009.

The original financial plan established by the City Council in the mid-1970s was turned upside down with the passage of Proposition 13, which stripped the agency of approximately two-thirds of its property tax increment. Since that time, the State has enacted several laws that placed further restrictions on redevelopment agencies. These include capping the time period for collection of tax increment for each redevelopment project area. The original termination date for Sunnyvale's project area was November 2025. In FY 2004/2005, the plan was extended by one year per SB1044 in compensation for the Educational Revenue Augmentation Fund (ERAF) payment made to the State in FY 2003/2004. The plan was extended for another two years in FY 2005/2006 per SB1096 for compensation of the ERAF payments made in FY 2004/2005 and FY 2005/2006. The current termination date for Sunnyvale's

redevelopment plan is now November 2028.

More important was the establishment of revenue limits for redevelopment agencies, referred to as property tax increment caps. The original revenue limit/increment cap for the Sunnyvale Redevelopment Agency was established at \$118 million. In FY 2005/2006 the Agency amended its Redevelopment Plan to increase the tax increment cap to \$600 million.

Projects

Three Special Projects and three capital projects are included in the FY 2006/2007 budget for the RDA. \$55,000 is programmed for the following Special Projects:

- RDA Project Area Economic Analysis: The budget for FY 2006/2007 of \$25,000 is for economic analysis of the redevelopment of Town & Country Village. Efforts include but are not limited to: architectural studies and reviews, land planning, economic/market feasibility, parking analyses, and financial analyses to implement redevelopment in the downtown.
- RDA Five Year Implementation Plan and Mid Term Review: This project includes the professional services required to prepare and adopt the Redevelopment Five Year Implementation Plan and Mid Term review. Appropriations of \$5,000 in FY 2006/2007 are for the Mid-Term Review. The Implementation plan covers anticipated redevelopment activities over the next five years. A new Implementation Plan and a Mid Term Review is required every five years per the California Community Redevelopment Law (Health and Safety Code section 33490). The plan must describe specific goals and objectives of the Redevelopment Agency, specific programs, including potential projects, estimated expenditures to be made during the five year period, and how these projects will improve or alleviate blighting conditions in the project area. It must also contain a section on the Agency's housing responsibility.
- Outside Counsel Services for RDA: The budget for FY 2006/2007 of \$25,000 supports the as-needed routine legal work and future project planning for the Agency. The Agency contracts for legal service with a law firm that specializes in redevelopment law.

Capital Projects in the amount of \$1,205,000 are recommended for FY 2006/2007:

- **Downtown Wayfinding System:** This project will develop a unified and clear signage program that directs the public within the downtown area as it is revitalized and evolves with new development and more uses. A coordinated signage program will improve the aesthetic and promote economic viability of the downtown. \$250,000 is budgeted for FY 2006/2007.
- **Murphy Avenue Enhancements:** Funds in the amount of \$260,000 are planned for FY 2006/2007 to “freshen up” Murphy Avenue. The first action will include planning for the future of the 100 block of historic South Murphy. The project extends along the frontage of the 100 block of South Murphy Avenue, the north side of Washington from Frances to Sunnyvale Avenue, and on the south side of Evelyn from the parking lot exit to Murphy Avenue. Phase I improvements include repairing concrete and replacing pavers; adding tree grates to existing trees; removing free-standing planters and landscaped areas and replacing with updated landscaping protected by a low iron rail; and painting street lights.
- **Downtown Block 2 Completion:** This project provides \$695,000 in FY 2006/2007 to complete the segments of Block 2 that are not part of the historic Murphy Avenue or the Frances Street Transit enhancements. Options include updating features to the Downtown standard, adding new sidewalk and pavers, new planter areas, replacing street lights with the black acorn style electroliers, and installing bicycle racks, trees and tree grates. Four segments include Frances, Evelyn East and West of Murphy and Sunnyvale Ave.

Transfers

There are two transfers in the Redevelopment Agency Fund. The ongoing transfer of funds to the General Fund is for the services of the Agency's Treasurer and other related support costs. These services are not charged directly to the RDA Fund, but rather are included in the General Fund and are charged as General Fund In-Lieu payments. The Project Administration In-Lieu is a transfer of RDA funds to the General Services Fund/Project Management Services Sub-Fund for the City Engineer's project management services provided for the RDA capital projects.

Reserves

The Redevelopment Agency Fund maintains one reserve that reflects Debt Service Reserve Funds held by the trustees for the two outstanding bond issues mentioned above.

Low and Moderate Income Housing Fund

The Redevelopment Agency is currently unable to make payments of 20% of its tax increment revenues to the Low and Moderate Income Housing Fund because of preexisting debt obligations. Each year, the Agency calculates the contribution that should have been made and books it as a liability in its financial statements. The beginning balance for FY 2006/2007 is projected at approximately \$7 million. This is projected to reach approximately \$24.4 million in FY 2017/2018 when the Agency repays its preexisting debt obligations assuming the Town Center Mall Redevelopment project is completed as scheduled. State law allows the Agency to continue collecting tax increment after the Project time and increment limits are reached to fund its housing liability. Repayments of the Housing liability are anticipated to begin in FY 2028/2029.

Finally, it should be noted that the FY 2006/2007 Budget for the Redevelopment Agency includes the redevelopment of the Sunnyvale Town Center Mall by the Forum Development Group. This major project, which was scheduled to begin in late 2004 and be completed within two years, has been delayed. Projections of tax increment for the Town Center redevelopment are being moved back by one year, with approximately one-half of the total new value realized during FY 2008/2009 and the full value starting in FY 2009/2010.

The FY 2006/2007 Redevelopment Agency Budget Adoption Resolution is included in Attachment A of this Report to Redevelopment Agency.

FISCAL IMPACT

Adoption of a budget for the Redevelopment Agency for FY 2006/2007 will authorize appropriate expenditures to be made as outlined in this report.

CONCLUSION

The Sunnyvale Redevelopment Agency is required to adopt an annual budget. It is recommended that the Agency adopt the FY 2006/2007 budget as outlined in this report.

PUBLIC CONTACT

Public contact was made through posting of the Council agenda on the City's official notice bulletin board, posting of the agenda and report on the City's web page, and the availability of the report in the Library and the City Clerk's Office.

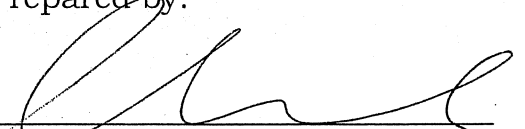
ALTERNATIVES

1. Adopt the budget as recommended.
2. Adopt the budget in an amount other than recommended.

RECOMMENDATION

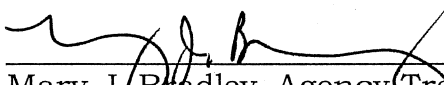
It is recommended that the Agency approve Alternative No. 1- Adopt the budget as recommended.

Prepared by:




Charlene Sun, Management Analyst - Budget

Reviewed by:



Mary J. Bradley, Agency Treasurer

Approved by:



Amy Chan
Executive Director-Secretary

Attachments

- A. FY 2006/2007 Redevelopment Agency Budget Adoption Resolution

Certified as a true copy
Heather Fisher Hughes
City Clerk of the City of Sunnyvale

RESOLUTION NO. 113-06 RA

**A RESOLUTION OF THE REDEVELOPMENT AGENCY OF
THE CITY OF SUNNYVALE ADOPTING THE BUDGET OF
THE REDEVELOPMENT AGENCY FOR FISCAL YEAR
JULY 1, 2006 TO JUNE 30, 2007**

WHEREAS, the proposed budget of the Redevelopment Agency of the City of Sunnyvale for the fiscal year 2006-07 was prepared and submitted to the Redevelopment Agency by the Executive Director on June 20, 2006;

NOW, THEREFORE, BE IT RESOLVED BY THE REDEVELOPMENT AGENCY OF THE CITY OF SUNNYVALE THAT:

1. The budget of the Redevelopment Agency of the City of Sunnyvale for the fiscal year beginning on July 1, 2006, and ending on June 30, 2007, as submitted to the Redevelopment Agency by the Executive Director on June 20, 2006, is hereby approved and adopted as the budget of the Redevelopment Agency for the fiscal year 2006-07.

2. A copy of the budget hereby adopted, certified by the Secretary of the Redevelopment Agency, shall be filed with the Executive Director or designated representative. Copies of the certified budget shall be made available for the use of departments, offices and agencies of the Redevelopment Agency of the City of Sunnyvale.

Adopted by the Redevelopment Agency of the City of Sunnyvale at a regular meeting held on June 20, 2006, by the following vote:

AYES: SPITALERI, HOWE, LEE, SWEGLES, HAMILTON, CHU, MOYLAN
NOES: NONE
ABSTAIN: NONE
ABSENT: NONE

ATTEST:

Heather Fisher Hughes
Clerk, Redevelopment Agency
(SEAL)
DECEMBER 24, 1912

APPROVED:

Gen Swegles
Chair, Redevelopment Agency

APPROVED AS TO FORM AND LEGALITY:

David E. Kahn
David E. Kahn, Redevelopment Agency Counsel

City of Sunnyvale

Program Performance Budget

Program 247 - Economic Development

Program Performance Statement

Promote and maintain a strong and diverse local economy to provide jobs and services for our residents and tax revenue for the City to fund public services, by:

- Attracting and assisting targeted businesses to locate in Sunnyvale,
- Establishing positive relationships with individual businesses to encourage them to remain and expand in Sunnyvale,
- Promoting investment and reinvestment in Sunnyvale's industrial neighborhoods to provide appropriate amount and mix of Class A, B and C buildings,
- Supporting and attracting businesses which provide a variety of needed retail and other services for our residents at locations which are convenient for them,
- Managing the redevelopment of the downtown in a manner which creates a vital and attractive commercial, social and symbolic center of the City, and
- Maintaining a business-friendly attitude among City employees and elected officials and utilizing their regular contacts with the business community as tools in the economic development program.

Program Measures

	Priority	Adopted 2006/2007	Adopted 2007/2008
<u>Quality</u>			
* Businesses receiving site location assistance are satisfied with support received.	I		
- Percent Satisfied		85.00%	85.00%
- Number of Businesses Supported		10.00	10.00
* Businesses receiving development permitting assistance are satisfied with support received.	I		
- Percent Satisfied		85.00%	85.00%
- Number of Businesses Supported		42.00	42.00
* Businesses surveyed rate the City as a good place to do business.	I		
- Percent Achieved		85.00%	85.00%
* Downtown businesses and residents are satisfied with development progress in the redevelopment area.	I		
- Percent Satisfied		75.00%	75.00%
* Resident survey respondents visit downtown five or more times per year.	D		
- Percent Achieved		80.00%	80.00%
<u>Productivity</u>			
* Redevelopment Agency legally mandated reports are completed on time.	M		
- Percent of Reports Completed On Time		100.00%	100.00%
- Number of Reports		3.00	3.00
* New jobs are created by companies retained or attracted by Economic Development.	C		
- Total Number of New Jobs		800.00	800.00
- Number of Businesses Assisted		42.00	42.00
* Information/Action Items-Council Directions to Staff for Economic Development are implemented in accordance with schedule.	C		
- Percent Implemented		100.00%	100.00%

City of Sunnyvale
Program Performance Budget

Program 247 - Economic Development

Program Measures

	Priority	Adopted 2006/2007	Adopted 2007/2008
<u>Productivity</u>			
* Businesses contacted about locating in the City actively pursue locations in Sunnyvale.	I		
- Percent of Businesses Pursuing Relocation		10.00%	10.00%
- Number of Contacts		100.00	100.00
* Targeted local businesses are visited by City officials.	I		
- Percent Completed		90.00%	90.00%
- Number of Visits		25.00	25.00
* Economic Development web site receives planned number of hits.	D		
- Percent Achieved		85.00%	85.00%
- Number of Web Site Hits		33,000.00	33,000.00
<u>Cost Effectiveness</u>			
* New revenue generated from property tax, sales tax and transient occupancy tax from companies assisted by Economic Development exceeds the Economic Development budget.	I		
- Ratio of New Revenue Generated Compared to Budget		500.00%	500.00%
- Revenue		\$3,700,000	\$3,700,000
- Number of Businesses Assisted		42.00	43.00
<u>Financial</u>			
* Actual total expenditures for Economic Development will not exceed planned expenditures.	C		
- Total Program Expenditures		\$774,181	\$745,634

Priority Legend

M: Mandatory
C: Council Highest Priority
I: Important
D: Desirable

	Adopted 2006/2007	Adopted 2007/2008
Service Delivery Plan 24704 - Downtown Redevelopment		
Costs:	\$162,444	\$150,773
Work Hours:	1,580	1,430
Totals for Program 247		
Costs:	\$162,444	\$150,773
Work Hours:	1,580	1,430